

October 26, 2006

Chairman Kevin Martin  
Commissioner Jonathan Adelstein  
Michael Copps  
Commissioner Robert McDowell  
Taylor Tate  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Commissioners  
  
Commissioner Deborah

Re: WC Docket No. 06-74, Support for AT&T BellSouth Merger

Dear FCC Chairman and Commissioners:

On behalf of the Information Technology & Innovative Foundation (ITIF), I urge you in your consideration for transfer of assets from BellSouth to AT&T pending before the Commission to not overlook the considerable economic and technological benefits that would result from this merger.

As you may know, ITIF is a non-profit, non-partisan public policy think tank committed to articulating and advancing a pro-productivity, pro-innovation and pro-technology public policy agenda internationally, in Washington and the states. Recognizing the vital role of technology in ensuring American prosperity, ITIF focuses on innovation, productivity, and digital economy issues

The AT&T/BellSouth merger promises national economic benefits through combined efficiencies and higher productivity, as it will enable the combined company to perform existing functions more efficiently and with less redundancy. While some opponents of the merger have criticized it for leading to a loss of jobs, it is important to remember that this higher productivity from scale economies is likely to lead to considerable cost savings. Most if not all of these savings are likely to be either passed back to consumers in the form of lower prices for telecommunications services, or will be used to help finance the large and expensive fiber optic build out needed to deploy video and higher speed broadband services.

By making it easier for the combined company to not only generate investment capital internally, but obtain resources from capital markets, the merger provides an avenue to widen the scale for additional investment. Upgrading their broadband infrastructure to the next level, and in the process enabling many more Americans to subscribe to next generation

broadband, demands the scale, access to capital, and efficiencies that the merger would facilitate.

In the current policy environment it is private industry will generate the capital to drive this deployment and this merger will accelerate that private sector investment in broadband growth. It is of no surprise to you that the United States is currently ranked 12<sup>th</sup> among OECD nations in broadband rankings. But make no mistake – moving up that ranking – particularly with the much higher broadband speeds needed to power the next generation digital economy, will require significant new capital investments, of which the return is anything but sure.

Finally, some have argued against this merger on the grounds that it reduces residential competition in telecommunications, and in particular, in residential broadband services. Opponents of the merger have cited FCC figures showing that 99.6 percent of American broadband consumers receive their connection from either an incumbent telephone company or an incumbent cable company. Given this level of concentration, they argue that further mergers among ILECs would be harmful to competition. But this view overlooks the fact that in the residential broadband market Bell South and AT&T by and large do not compete head to head. Therefore, combining the companies' assets should not lessen residential competition for broadband, and to the extent it strengthens their competitive position vis-à-vis cable, it would enhance competition.

So in considering this merger, I urge the Commission not to lose sight of the bipartisan goal to accelerate the deployment and adoption of broadband.

Thank you for your consideration.

Respectfully Submitted,

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